

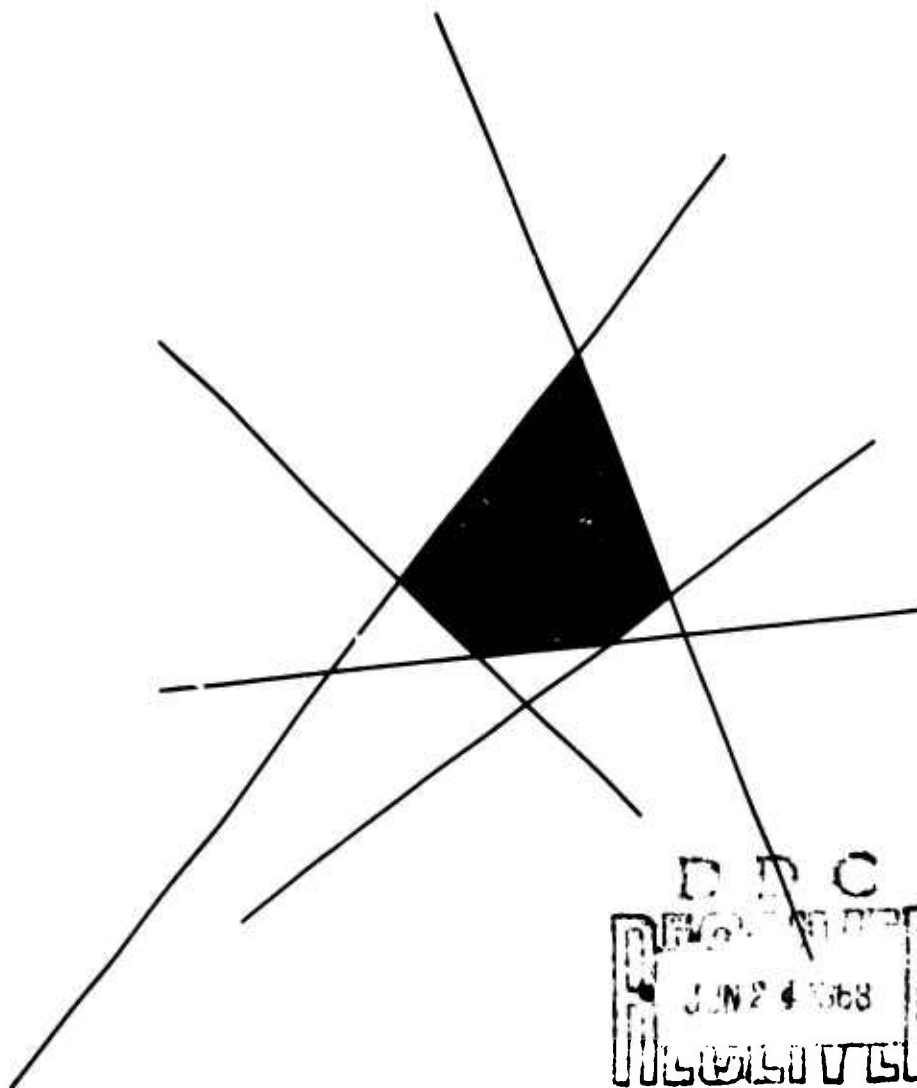
ORC 68-10  
APRIL 1968

# ON EXISTENCE OF WEAKLY MAXIMAL PROGRAMS IN VON NEUMANN GROWTH MODELS

by

WILLIAM A. BROCK

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This research has been partially supported by the Office of Naval Research under Contract Nonr-222(83), and the National Science Foundation under Grant GP-7417 with the University of California. Reproduction in whole or in part is permitted for any purpose of the United States Government.

#### ACKNOWLEDGEMENT

The author wishes to thank Dr. David Gale for valuable assistance and encouragement.

Dr. Gale suggested investigating whether the optimal stationary program was optimal in the class of programs starting from it. This turned out not to be true but the investigation of it lead to the present work.

# ABSTRACT

We consider, with D. Gale, an  $n$ -sector economy defined by a convex, compact set  $T$  consisting of input-output pairs  $(x,y) \in R^{2m}$  where  $R^{2m}$  is real  $2m$ -dimensional space. On  $T$  is defined a concave, continuous real function  $u$  that associates *utility* to each input-output pair.  $T$  and  $u$  are called the *technology* and the *utility function* of the economy. At each  $(x,y) \in T$  we assume  $u$  has *bounded steepness*, i.e.,

$$\sup_{(x',y') \in T} |u(x',y') - u(x,y)| / ||(x',y') - (x,y)|| < \infty$$

where  $||\cdot||$  is any norm on  $R^{2m}$ . A *program with initial stocks*  $y_0$  is a sequence  $\{(x_n, y_n)\}_{n=1}^{\infty}$  of points of  $T$  such that  $x_n \leq y_{n-1}$ ,  $n = 1, 2, \dots$ . An *optimal stationary program* (OSP) is a pair  $(\bar{x}, \bar{y}) \in T$  such that  $(\bar{x}, \bar{y})$  solves:  $\max u(x,y)$  over  $\{(x,y) \in T \mid x \leq y\}$  where  $\leq$  is componentwise ordering on  $R^m$ . The initial stock  $y_0$  is *sufficient* if there is a program  $\{(x_n, y_n)\}_{n=1}^{\infty}$  from  $y_0$  such that  $y_N > 0$  for some  $N$ . The technology  $T$  is *productive* if there is  $(x,y) \in T$  such that  $x < y$  (i.e.,  $x_i < y_i$ ,  $i = 1, 2, \dots, m$ ). We say *inaction* is possible if  $(0,0) \in T$ . A program  $\{(x'_n, y'_n)\}$  from  $y_0$  is *optimal* (weakly maximal) if

$$\lim_{N \rightarrow \infty} \sum_{n=1}^N (u(x'_n, y'_n) - u(x_n, y_n)) \geq$$

$$0 \left( \lim_{N \rightarrow \infty} \sum_{n=1}^N (u(x'_n, y'_n) - u(x_n, y_n)) \geq 0 \right)$$

for all programs  $\{(x_n, y_n)\}$  starting from  $y_0$ . The utility function  $u$  is *strictly concave* at  $(\bar{x}, \bar{y}) \in T$  if  $u(\lambda(\bar{x}, \bar{y}) + (1 - \lambda)(x, y)) > \lambda u(\bar{x}, \bar{y}) + (1 - \lambda)u(x, y)$  for all  $(x, y) \neq (\bar{x}, \bar{y})$ ,  $(x, y) \in T$ ,  $0 < \lambda < 1$ .

An easy proof is given of Gale's result: If  $y_0$  is sufficient,  $T$  productive, inaction is possible, and  $u$  is strictly concave at  $(\bar{x}, \bar{y})$  then there is an optimal program from  $y_0$ . The main result is: If  $(\bar{x}, \bar{y})$  is the unique OSP,  $y_0$  is sufficient,  $T$  is productive, and inaction is possible then there is a weakly maximal program from  $y_0$ . An example is given where the hypotheses of the main result are satisfied but the OSP does not outgrow every program starting from it.

The importance of the main result lies in removing the objectionable hypothesis of strict concavity on the utility function.

ON EXISTENCE OF WEAKLY MAXIMAL PROGRAMS  
IN VON NEUMANN GROWTH MODELS

by

William A. Brock

In this paper we shall consider general models of economic growth, formulate an "optimality" criterion, and show that there exist "optimal programs" under weak, economically meaningful assumptions. We now turn to development of the model following Gale [1].

Let  $T$  be a compact, convex set in real  $2m$  space  $R^{2m}$  ( $R^{2m} \equiv \{(x,y) \mid x \text{ is a real } m\text{-vector and } y \text{ is a real } m\text{-vector}\}$ ). Let  $u$  be a concave, continuous numerical function defined on  $T$ .  $T$  represents the possible input-output combinations and  $u$  attaches utility to each.  $T, u$  are called the *technology* and the *utility function* respectively. Assume further that  $u$  has<sup>†</sup> bounded steepness over  $T$ , i.e.,  $\sup_{(x,y) \in T} \sigma(x,y) < \infty$  where

$$\sigma(x,y) \equiv \sup_{(x',y') \in T} \frac{|u(x',y') - u(x,y)|}{\|(x',y') - (x,y)\|}$$

for each  $(x,y) \in T$ , where  $\|\cdot\|$  is a norm on  $R^{2m}$ . Bounded steepness at  $(x,y)$ , i.e.,  $\sigma(x,y) < \infty$  means that no infinitesimal movement from  $(x,y)$  can produce a large change in utility.

Let  $0 \leq y_0 \in R^m$ . A program with initial stocks  $y_0$  is a sequence  $\{(x_n, y_n)\}_{n=1}^{\infty}$  of points  $(x_n, y_n) \in T$  such that  $x_n \leq y_{n-1}$ ,  $n = 1, 2, \dots$ . With each program there is associated a utility sequence  $\{u(x_n, y_n)\}_{n=1}^{\infty}$ .

The problem of optimal economic growth is: given initial stocks  $y_0$ , find a "reasonable" partial ordering of utility sequences generated by the economy and show there exist maximal elements with respect to this ordering.

<sup>†</sup>It is an easy exercise to show  $\forall (x,y) \in T$ ,  $\sigma(x,y) < \infty$  implies  $u(x,y)$  has bounded steepness over  $T$ .

We say that  $\{(x_n, y_n)\}$  overtakes (strictly overtakes)  $\{(x'_n, y'_n)\}$  if

$$\lim_{N \rightarrow \infty} \left( \sum_{n=1}^N u(x_n, y_n) - u(x'_n, y'_n) \right) \geq 0, \quad (> 0) \quad (1)$$

$\{(x_n, y_n)\}$  is optimal if it overtakes every other program starting from  $y_0$ .  
 $\{(x_n, y_n)\}$  is maximal (weakly maximal) if no other program starting from  $y_0$  overtakes (strictly overtakes) it. Overtaking is clearly a partial ordering on the set of programs starting from  $y_0$  and a maximal program is a maximal element with respect to this ordering. We now introduce the notion of optimal stationary program (OSP) to facilitate construction of weakly maximal programs.

Definition:

$(\bar{x}, \bar{y}) \in T$  is an OSP if  $(\bar{x}, \bar{y})$  solves:

$$\max \{u(x, y) \mid x \leq y, (x, y) \in T\}.$$

Let us assume,

Assumption 1:

$T$  is productive and inaction is possible, i.e., there  $(x, y) \in T$  such that  $x < y$ , and  $(0, 0) \in T$ , respectively.

Using productivity of  $T$  we may prove

Lemma 1

If  $(\bar{x}, \bar{y})$  is an OSP and  $T$  is productive then there is  $p \geq 0$ ,  $p \in \mathbb{R}^m$  such that  $(\bar{x}, \bar{y})$ ,  $p$  solve:

$$\begin{aligned} &\text{Maximize} \quad u(x, y) + p \cdot (y - x) \\ &\text{Subject to} \quad (x, y) \in T \end{aligned}$$

furthermore

$$p \cdot (\bar{y} - \bar{x}) = 0 .$$

Proof:

This is an application of the Kuhn-Tucker Theorem to the problem of maximizing  $u(x,y)$  subject to the constraint  $x \leq y$  where, by productivity of  $T$ , the constraint can be satisfied strictly and this is sufficient (see [3]) for the validity of the Kuhn-Tucker Theorem.

Let us now consider an important example, i.e., the "Von Neumann" economy:

$$u(x,y) \equiv \max \{c \cdot v \mid Av = x, Bv = y\}, T \equiv \{Av, Bv \mid v \in K\}$$

where  $A, B$  are  $m \times k$  nonnegative goods matrices and  $K \subseteq \mathbb{R}^k$  is a compact polyhedron (e.g., labor limitations) constraining activity levels  $v$  and  $c \cdot v = \sum_{i=1}^k c_i v_i$  is the "value" or utility obtained from operating the  $k$  activities at intensity  $v$ .

We want to find reasonable assumptions so that this economy has maximal or weakly maximal programs. In [1] Gale shows that strict concavity of  $u$  at  $(\bar{x}, \bar{y})$  implies existence of an optimal program from  $y_0$ . But the utility function of the Von Neumann economy is strictly concave at no  $(x,y) \in T$ .

If one is satisfied with a weakly maximal program then it is sufficient to assume that the OSP,  $(\bar{x}, \bar{y})$ , is unique and to make some mild assumptions on  $T, y_0$ . We shall now work toward the proof of this result.

Assumption 2:

$y_0$  is sufficient, i.e., there exists a program  $\{(x_n, y_n)\}_{n=1}^{\infty}$  from  $y_0$  such that<sup>†</sup>  $y_n > 0$  for some  $n$ .

<sup>†</sup>Given a vector  $x \in \mathbb{R}^m$ ,  $x > 0$  ( $x \geq 0$ ) means  $x_i > 0$  ( $x_i \geq 0$ )  $i = 1, 2, \dots, m$ .



We now define an important class of programs.

Definition:

A program is *good* if there exists a real number  $G$  such that

$$G \leq \sum_{n=1}^N u(x_n, y_n) - u(\bar{x}, \bar{y}) ,$$

for all positive integers  $N$ .

For the sake of completeness we state and give Gale's proof of the existence of good programs.

Lemma 2 (Gale)

If  $y_0, T$  satisfy Assumptions 1,2, then there is a good program from  $y_0$ .

Proof:

Since  $y_0$  is sufficient we can, after finite time, produce a bundle  $y_n > 0$ . Since goodness does not depend on what happens in a finite amount of time we may as well assume  $y_0 > 0$ . Using  $(0,0) \in T$  and convexity of  $T$  choose a productive pair  $(x_p, y_p) \in T$  such that  $x_p < y_0$ . Choose  $0 \leq \lambda < 1$  such that  $x_1 \equiv (1 - \lambda) \bar{x} + \lambda x_p \leq y_0$ ,  $y_1 \equiv (1 - \lambda) \bar{y} + \lambda y_p$ . Define the sequence  $\{(x_n, y_n)\}$  by

$$(x_n, y_n) = (1 - \lambda^n)(\bar{x}, \bar{y}) + \lambda^n(x_p, y_p) , n = 1, 2, \dots$$

Using the recursion:

$$(x_n, y_n) = (1 - \lambda)(\bar{x}, \bar{y}) + \lambda(x_{n-1}, y_{n-1}), n = 2, 3, \dots$$

it is easy to check that  $\{(x_n, y_n)\}$  is a program from  $y_0$ .

Using bounded steepness we get, for all  $N$ ,

$$\begin{aligned} \sum_{n=1}^N |u(\bar{x}, \bar{y}) - u(x_n, y_n)| &\leq \sum_{n=1}^N \sigma(x_n, y_n) \|(x_n, y_n) - (\bar{x}, \bar{y})\| \\ &\leq \sum_{n=1}^N \sup_{(x,y) \in T} \sigma(x,y) \lambda^n \|(x_p - \bar{x}, y_p - \bar{y})\| \\ &< \infty, \text{ since } \sup_{(x,y) \in T} \sigma(x,y) < \infty, 0 \leq \lambda < 1. \end{aligned}$$

It follows that  $\{(x_n, y_n)\}$  is good.

It turns out that

Lemma 3 (Gale)

A program is good or its associated series converges to  $-\infty$ .

Proof:

From this point on we set  $u(\bar{x}, \bar{y}) = 0$  to ease the writing. If a program is not good then for all real numbers  $G$  there is  $M$  depending on  $G$  such that

$$\sum_{n=1}^M u(x_n, y_n) \leq G.$$

By Lemma 1 and compactness of  $T$

$$\sum_{n=M+1}^N u(x_n, y_n) \leq \sum_{n=M+1}^N p \cdot (x_n - y_n) \leq p \cdot (x_{M+1} - y_N) < B$$

where  $B$  is a bound independent of  $M$  and  $N$ . Hence

$$\sum_{n=1}^N u(x_n, y_n) \leq G - B \quad \text{for } N \geq M.$$

It follows that

$$\sum_{n=1}^N u(x_n, y_n) \rightarrow -\infty, \quad N \rightarrow \infty.$$

"Turnpike" properties appear to be everpresent in the theory of optimal economic growth. We prove an "average turnpike" property for good programs.

Lemma 4

If  $\{(x_n, y_n)\}$  is good then  $u(\bar{x}_n, \bar{y}_n) \rightarrow u(\bar{x}, \bar{y})$  where

$$(\bar{x}_n, \bar{y}_n) \equiv \frac{1}{n} \sum_{i=1}^n (x_i, y_i) \in T. \quad \text{In particular, if } (\bar{x}, \bar{y}) \text{ is the unique OSP then}$$

$$(\bar{x}_n, \bar{y}_n) \rightarrow (\bar{x}, \bar{y}).$$

Proof:

By goodness of  $\{(x_n, y_n)\}$  and concavity of  $u$ , there is  $G$  such that for each  $N$

$$\frac{G}{N} \leq \frac{1}{N} \sum_{n=1}^N u(x_n, y_n) \leq u(\bar{x}_N, \bar{y}_N).$$

Let  $(x, y)$  be any cluster point of the sequence  $\{(\bar{x}_n, \bar{y}_n)\}$ . Then  $0 \leq u(x, y)$ ,  $x \leq y$ , and  $(x, y) \in T$  because

$$(\bar{x}_n, \bar{y}_n) = \frac{1}{n} \sum_{i=1}^n (x_i, y_i) \in T, \quad n = 1, 2, \dots$$

and  $T$  is closed. Hence  $(x, y)$  is an OSP and

$$u(\bar{x}_n, \bar{y}_n) \rightarrow u(\bar{x}, \bar{y}) \equiv 0, \quad n \rightarrow \infty.$$

In particular if  $(\bar{x}, \bar{y})$  is unique,  $(x, y) = (\bar{x}, \bar{y})$ , thus

$$(\bar{x}_n, \bar{y}_n) \rightarrow (\bar{x}, \bar{y}), \quad n \rightarrow \infty.$$

After proving one more Lemma we may prove the main result of this paper.

#### Lemma 5

If  $y_0, T$  satisfy Assumptions 1,2 then there is a nonnegative sequence  $\{\delta_n\}_{n=1}^{\infty}$  associated with  $\{u(x_n, y_n)\}$  such that

$$\sum_{n=1}^N u(x_n, y_n) = p \cdot (y_0 - y_N) - \sum_{n=1}^N \delta_n, \quad N = 1, 2, \dots \quad (1)$$

Furthermore, a program  $\{(x'_n, y'_n)\}$  may be found so that its associated series

$\sum_{n=1}^{\infty} \delta'_n$  is minimal in the class of programs starting from  $y_0$ .

#### Proof:

By Lemma 1 there is  $\beta_n \geq 0$  such that

$$u(x_n, y_n) = p \cdot (x_n - y_n) - \beta_n, \quad n = 1, 2, \dots \quad (2)$$

Summing (2) to  $N$  and setting  $\delta_n = -p(x_n - y_{n-1}) + \beta_n \geq 0$  gives (1). For  $\{(x_n, y_n)\}$  good there exist  $G, B$  such that

$$G \leq \sum_{n=1}^N u(x_n, y_n) = p \cdot (y_0 - y_N) - \sum_{n=1}^N \delta_n \leq B - \sum_{n=1}^N \delta_n, \quad N = 1, 2, \dots$$

Thus

$$\sum_{n=1}^N \delta_n \leq B - G, \quad N = 1, 2, \dots$$

so that  $\sum_{n=1}^{\infty} \delta_n < \infty$  for good programs. Our task is to find  $\{(x'_n, y'_n)\}$  starting from  $y_0$  such that  $\alpha \equiv \inf \left\{ \sum_{n=1}^{\infty} \delta_n : \{\delta_n\} \text{ is associated with } \{(x_n, y_n)\} \text{ starting from } y_0 \right\} = \sum_{n=1}^{\infty} \delta'_n$ . By existence of good programs (Lemma 2) we have  $\alpha < \infty$ .

Choose a "minimizing" sequence of programs  $\{(x_n^N, y_n^N)\}$  such that

$$\sum_{n=1}^{\infty} \delta_n^N \leq \alpha + \frac{1}{N}, \quad N = 1, 2, \dots$$

By compactness of  $T$ , use the Cantor diagonal process to select a subsequence  $\{N'\} \subseteq \{N\}$  such that for each  $n$

$$(x_n^{N'}, y_n^{N'}) \rightarrow (x'_n, y'_n), \quad N' \rightarrow \infty.$$

It is easy to check that  $\{(x'_n, y'_n)\}$  is a program. By compactness of  $T$  and continuity of  $u$ ,  $\{\delta_n^{N'}\}_{N'}$  is bounded for each  $n$ . Hence we may use the Cantor diagonal process again to choose a subsequence  $\{N''\} \subseteq \{N'\}$  so that

$$\delta_n^{N''} \rightarrow \delta'_n, \quad n = 1, 2, \dots$$

It is clear from continuity of  $u$  and definition of  $\delta_n$  that  $\{\delta'_n\}$  corresponds to the program  $\{(x'_n, y'_n)\}$ . Hence

$$\sum_{n=1}^{\infty} \delta'_n \geq \alpha.$$

Suppose  $\beta \equiv \sum_{n=1}^{\infty} \delta'_n > \alpha$ . Let  $r_1, r_2$  be chosen so that  $\alpha < r_1 < r_2 < \beta$ .

Choose  $N_0$  so that  $N \geq N_0$  implies  $\sum_{n=1}^N \delta'_n \geq r_2$ . Choose  $M_0$  (depending on  $N_0$ )

so that  $M \in \{N''\}$ ,  $M \geq M_0$  implies  $\sum_{n=1}^{N_0} \delta_n^M \geq r_1$ . But

$$\alpha + \frac{1}{M} \geq \sum_{n=1}^{\infty} \delta_n^M \geq \sum_{n=1}^{N_0} \delta_n^M.$$

Hence there are infinitely many  $M \in \{N''\}$  such that  $\alpha + \frac{1}{M} \geq r_1 > \alpha$ . This is a contradiction. Thus

$$\alpha = \sum_{n=1}^{\infty} \delta'_n.$$

We now prove our main result

### Theorem 1

If there exists a unique OSP and  $T, y_0$  satisfy Assumptions 1,2 then there is a weakly maximal program from  $y_0$ . If  $y_0 = \bar{y}$  then a weakly maximal program is  $(\bar{x}, \bar{y})$ .

### Proof:

Let  $\{(x'_n, y'_n)\}$  be a program with minimal  $\sum_{n=1}^{\infty} \delta'_n$ . From (1) of Lemma 5 we get

$$\sum_{n=1}^N u(x_n, y_n) - u(x'_n, y'_n) = p \cdot (y'_N - y_N) + \sum_{n=1}^N \delta'_n - \sum_{n=1}^N \delta_n, \quad N = 1, 2, \dots \quad (1)$$

for any other program  $\{(x_n, y_n)\}$ . Assume  $\{(x_n, y_n)\}$  strictly outgrows  $\{(x'_n, y'_n)\}$ . Using (1) above there are  $M, \lambda > 0$  such that

$$\lambda \leq p \cdot (y'_N - y_N), \quad N \geq M \quad (2)$$

Since we need only compare good programs (Lemma 2) we may use Lemma 4 (the average turnpike Lemma) to obtain

$$\lambda \leq \lim_{N \rightarrow \infty} p \cdot (\bar{y}'_N - \bar{y}_N) = 0$$

which is a contradiction. If  $\bar{y} = y_0$  then  $\sum_{n=1}^{\infty} \delta'_n = 0$  if  $\{\delta'_n\}$  is associated with  $\{(\bar{x}, \bar{y})\}$ . Hence  $(\bar{x}, \bar{y})$  is weakly maximal (note that, if  $y_0 = \bar{y}$ , the assumption that  $y_0$  is sufficient is not needed for the weak maximality proof).

One might ask if it is possible to strengthen Theorem 1 by showing existence of a strongly optimal program, i.e.,

$$\lim_{N \rightarrow \infty} \sum_{n=1}^N u(x_n, y_n) - u(x'_n, y'_n) > 0 \quad \text{for all } \{(x'_n, y'_n)\}.$$

We produce a counterexample where the OSP is unique, but there is no strongly optimal program from  $\bar{y}$ .

We consider a one good, two activity Von Neumann economy. Let  $v_1 \geq 0, v_2 \geq 0$  be activity levels of  $A_1, A_2$  where  $A_1$  doubles capital but produces no utility,  $A_2$  halves capital and produces one unit of utility. Let the labor constraint be  $v_1 + v_2 \leq 1$ . Then  $A = (1, 2), B = (2, 1)$ . Solving the problem:

$$\text{Maximize } c \cdot v = \max 0 \cdot v_1 + v_2$$

$$\text{Subject to } v_1 + 2v_2 \leq 2v_1 + v_2; v_1 + v_2 \leq 1, v_1 \geq 0, v_2 \geq 0$$

gives us the unique OSP

$$\bar{v}_1 = \bar{v}_2 = \frac{1}{2}, \bar{x} \equiv \bar{v}_1 + 2\bar{v}_2 = \frac{3}{2}, \bar{y} \equiv 2\bar{v}_1 + \bar{v}_2 = \frac{3}{2}, \bar{u} = \bar{v}_2 = \frac{1}{2}.$$

Starting from  $\bar{y}$  we have the program: (to see that the following is a program check that  $Av_n \leq Bv_{n-1}, n = 1, 2, \dots$  where  $v_0 = \bar{v}$ )

$$(v_1^1, v_2^1) = \left(\frac{1}{6}, \frac{2}{3}\right); u_1 = \frac{2}{3}$$

$$(v_1^n, v_2^n) = (1, 0), n \text{ even}; u_n = 0$$

$$(v_1^n, v_2^n) = (0, 1), n \text{ odd}; u_n = 1, n > 1$$

Note that

$$\overline{\lim}_{n \rightarrow \infty} \sum_{n=1}^N (u_n - \bar{u}) > 0$$

so that  $(\bar{x}, \bar{y})$  does not outgrow  $\{(x_n, y_n)\}$ . However, by Theorem 1  $(\bar{x}, \bar{y})$  is weakly maximal. Hence there can be no strongly optimal program from  $(\bar{x}, \bar{y})$ . To get optimal programs it is sufficient to assume strict concavity of  $v$  at  $(\bar{x}, \bar{y})$ .

The strong result of Gale may be obtained easily by the method of proof employed in this paper.

#### Theorem 2 (Gale)

If  $u$  is<sup>†</sup> strictly concave at  $(\bar{x}, \bar{y})$  and  $y_0, T$  satisfy Assumptions 1, 2 then there is a program  $\{(x'_n, y'_n)\}$  from  $y_0$  such that for each  $\{(x_n, y_n)\}$  starting from  $y_0$

$$\lim_{N \rightarrow \infty} \sum_{n=1}^N u(x'_n, y'_n) - u(x_n, y_n) \geq 0 \quad (1)$$

#### Proof:

Select  $\{(x'_n, y'_n)\}$  with minimal  $\sum_{n=1}^{\infty} \delta'_n$ . It is easy to check that

$\{(x'_n, y'_n)\}$  is good. By Lemma 3 we need only compare good programs. Consider

<sup>†</sup> A function  $f$  on a set  $X$  is strictly concave at  $\bar{x} \in X$  if for each  $x \in X$ ,  $0 < \lambda < 1$ ,  $f(\lambda \bar{x} + (1 - \lambda)x) > \lambda f(\bar{x}) + (1 - \lambda)f(x)$ .



a good program  $\{(x_n, y_n)\}$ . We show  $(x_n, y_n) \rightarrow (\bar{x}, \bar{y})$ ,  $n \rightarrow \infty$ . Since

$$\sum_{n=1}^N u(x_n, y_n) = \sum_{n=1}^N p \cdot (x_n - y_n) - \sum_{n=1}^N \beta_n \leq p \cdot (y_0 - y_N) - \sum_{n=1}^N \beta_n$$

where  $0 \leq \beta_n = p(x_n - y_n) - u(x_n, y_n)$ , there is  $G$  (since  $\{(x_n, y_n)\}$  is good) such that

$$\sum_{n=1}^N \beta_n \leq p \cdot (y_0 - y_N) - G \leq B - G, \quad N = 1, 2, \dots$$

Therefore  $\beta_n \rightarrow 0$ . Now let  $(\bar{x}, \bar{y})$  be any cluster point of  $\{(x_n, y_n)\}$ .

Since  $\beta_n \rightarrow 0$ , therefore  $u(\bar{x}, \bar{y}) + p \cdot (\bar{y} - \bar{x}) = 0$ . But strict concavity of  $u$  at  $(\bar{x}, \bar{y})$  implies  $(\bar{x}, \bar{y})$  is the unique maximizer over  $T$  of the nonpositive function,  $u(x, y) + p \cdot (y - x)$ . Thus  $(\bar{x}, \bar{y}) = (\bar{x}, \bar{y})$  and  $(x_n, y_n) \rightarrow (\bar{x}, \bar{y})$  as  $n \rightarrow \infty$ . Now, as in Theorem 1, let  $\{(x'_n, y'_n)\}$  be a program with minimum

$\sum_{n=1}^{\infty} \delta'_n$ . Since  $y'_N \rightarrow \bar{y}$ ,  $y_N \rightarrow \bar{y}$  for good programs it is now clear from (1)

of Theorem 1 that

$$\lim_{N \rightarrow \infty} \sum_{n=1}^N u(x'_n, y'_n) - u(x_n, y_n) \geq 0.$$

One might expect weakly maximal programs to exist in almost any model. Gale's [1] "cake eating" example with  $u$  strictly concave has no weakly maximal program. McKenzie [2] constructed an example of a Von Neumann model with linear utility that has no weakly maximal programs. Both of these examples have multiple OSP's. We doubt that it is possible to replace "weakly maximal" in Theorem 1 by "maximal".

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DOCUMENT CONTROL DATA - R&D		
<small>(Security classification of title, body of abstract and indexing annotation must be entered when the overall report is classified)</small>		
1. ORIGINATING ACTIVITY (Corporate author) University of California, Berkeley		2a. REPORT SECURITY CLASSIFICATION Unclassified
		2b. GROUP
3. REPORT TITLE ON EXISTENCE OF WEAKLY MAXIMAL PROGRAMS IN VON NEUMANN GROWTH MODELS		
4. DESCRIPTIVE NOTES (Type of report and inclusive dates) Research Report		
5. AUTHOR(S) (Last name, first name, initial) BROCK, William A.		
6. REPORT DATE April 1968	7a. TOTAL NO. OF PAGES 13	7b. NO. OF REFS 3
8a. CONTRACT OR GRANT NO. Nonr-222(83)	9a. ORIGINATOR'S REPORT NUMBER(S) ORC 68-10	
b. PROJECT NO. NR 047 033		
c. Research Project No.: RR 003 07 01	9b. OTHER REPORT NO(S) (Any other numbers that may be assigned this report)	
10. AVAILABILITY/LIMITATION NOTICES Distribution of this document is unlimited.		
11. SUPPLEMENTARY NOTES Also supported by the National Science Foundation under Grant GP-7417.		12. SPONSORING MILITARY ACTIVITY Mathematical Science Division
13. ABSTRACT SEE ABSTRACT.		

DD FORM 1473  
1 JAN 64

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14 KEY WORDS	LINK A		LINK B		LINK C	
	ROLE	WT	ROLE	WT	ROLE	WT
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